

Message Text

CONFIDENTIAL

PAGE 01 STATE 009710
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY NEA/EGY:DEZWEIFEL:SEB

APPROVED BY NEA:NAVELIOTES

NEA/IAI:GDKULICK

L/NEA:DSMALL

NEA/EGY:DONEWBERRY

S/S-O: T MARTIN

-----003709 130629Z /11

R 130309Z JAN 78

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 009710

EXDIS

E.O. 11652: GDS

TAGS: ENRG, US, IS, EG

SUBJECT: PETROLEUM EXPLORATION/EXPLOITATION IN SINAI AND
GULF OF SUEZ

REF: TEL AVIV 171

1. SUMMARY: ON JANUARY 10, MESSRS. MONCRIEF AND HOUCK OF
MONCRIEF OIL INTERESTS VISITED DEPARTMENT TO EXPLAIN STATUS
OF COMPANY'S ACTIVITIES IN SINAI AND GULF OF SUEZ, TO
APPEAL FOR DEPARTMENT "NEUTRALITY" IN POTENTIAL DISPUTE
WITH AMOCO, TO SEEK ENDORSEMENT FOR COMPANY/GOI POSITION
THAT EXPLORATION/EXPLOITATION ACTIVITIES ARE NOT AN IMPEDI-
MENT TO PEACE AND TO ASK FOR USG SUPPORT FOR SOLUTION WHERE-
BY CONCERNED GOVERNMENTS AND PRIVATE AMERICAN CONCESSION-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 009710

NAIRES ALL WOULD BENEFIT FROM POST-SETTLEMENT PETROLEUM
PRODUCTION IN CONTESTED AREAS. END SUMMARY.

2. MESSRS. RICHARD MONCRIEF AND WILLIAM HOUCK OF MONCRIEF
OIL INTERESTS CALLED ON DEPUTY ASSISTANT SECRETARY VELIOTES
JANUARY 10. ASSISTANT LEGAL ADVISOR SMALL ATTENDED
MEETING. VISITORS STATED THAT PRIME MINISTER BEGIN AND

AMBASSADOR LEWIS HAD ENCOURAGED THEM TO VISIT DEPARTMENT. DURING COURSE OF HOUR-LONG CONVERSATION, THEY MADE SEVERAL POINTS OF INTEREST.

3. IN RELATION TO NORTHERN AREA OF SINAI, MONCRIEF, THROUGH WHOLLY-OWNED SUBSIDIARY KNOWN AS "WESTERN DESERT" HOLDS 100 PERCENT CONCESSION IN LARGE ON-SHORE AREA BETWEEN EL-ARISH AND BUFFER ZONE. EAST OF THIS AREA, WHOLLY-OWNED SUBSIDIARY KNOWN AS "DEEPWATER" HOLDS 50 PERCENT CONCESSION IN A NUMBER OF SMALLER ON AND OFF SHORE AREAS WITH ISRAELI NATIONAL OIL COMPANY (INOC) HOLDING OTHER 50 PERCENT. RECENT DRILLING ACTIVITY IN THESE AREAS INDICATES PRESENCE OF "MAJOR" GAS PROVINCE--E.G. COMPANY BELIEVES THAT ONE WELL NEAR RAFAH SITS ATOP RESERVE OF SOME 60 BILLION CUBIC FEET OF GAS. TO DATE THERE ARE NO INDICATIONS OF PETROLEUM, ALTHOUGH DRILLING CONTINUES BOTH ON AND OFF SHORE.

4. ACCORDING TO MONCRIEF OFFICIALS, GOE HAS NEVER GRANTED ANY CONCESSIONS IN THIS NORTHERN AREA. PRIME MINISTER BEGIN RECENTLY TOLD THEM THAT GOI PLANS TO RELINQUISH ALL SOVEREIGNTY IN THIS AREA; ACCORDINGLY, HE (BEGIN) ENCOURAGED MONCRIEF TO APPROACH GOE TO INVESTIGATE POSSIBILITY OF TRANSFERRING CONCESSION FROM GOI TO GOE. COMPANY FEELS THAT THEIR THREE YEARS' EXPLORATION IN AREA, ESTABLISHED OPERATIONS AND BASES, AND GOI OFFER TO BUY

CONFIDENTIAL

PAGE 03 STATE 009710

EXPORT LIFTINGS FROM GOE, SHOULD MAKE THIS AN ATTRACTIVE PROPOSITION FOR EGYPTIANS. VELIOTES ARRANGED SUBSEQUENT MEETING WITH EGYPTIAN EMBASSY HERE, AND ENCOURAGED COMPANY OFFICIALS TO KEEP IN TOUCH REGARDING PLANS TO VISIT CAIRO.

5. REGARDING ACTIVITY IN GULF OF SUEZ, COMPANY OFFICIALS RECOGNIZE THAT THIS IS MORE COMPLICATED ISSUE. THEY SOUGHT DEPARTMENT "NEUTRALITY" RE PROSPECTIVE DISPUTE WITH AMOCO WHICH HOLDS CONCESSION FROM GOE IN AREA WHEREIN PARTIALLY-OWNED MONCRIEF SUBSIDIARY, "NEPTUNE", MADE RECENT DISCOVERY. FURTHER, THEY SOUGHT DEPARTMENT SUPPORT FOR SOLUTION WHEREBY NEPTUNE WOULD CONTINUE TO PRODUCE IN THIS AREA. AGAIN, ACCORDING TO THEIR STATEMENT, PRIME MINISTER BEGIN HAS PROMISED THAT ISRAEL WOULD PURCHASE ANY PETROLEUM THAT EGYPT MIGHT EXPORT FROM THIS NEW FIELD (INDEED, THEY UNDERSTAND GOI ACTIVELY WILL SEEK SUCH AN ARRANGEMENT IN NEGOTIATIONS WITH GOE.)

6. WE POINTED OUT TO VISITORS THAT BASIC USG POSITION ON THIS IS TO HOPE FOR AN ARRANGEMENT SATISFACTORY TO ALL CONCERNED. OUR LEGAL POSITION ON THE ISSUE RELATES TO RIGHTS OF AN OCCUPYING POWER. FURTHERMORE, THERE IS

DISTINCTION BETWEEN ACTIVITIES OF A BELLIGERENT DURING
OCCUPATION AND CREATION OF POST-OCCUPATION VESTED RIGHTS.
THIS BASIC USG POSITION IS RELEVANT TO NORTHERN AS WELL
AS SOUTHERN AREAS. CONSISTENT WITH THIS POSITION, USG
RECOGNIZES VALIDITY OF AMOCO CONCESSION AND DOES NOT

RECOGNIZE GOI AS HAVING LEGAL OIL RIGHTS TO CONVEY TO
MONCRIEF/NEPTUNE, PARTICULARLY FOR POST-OCCUPATION PERIOD.
ACCORDINGLY, USG WOULD HAVE TO CONSIDER OUR PRACTICE OF
GOOD OFFICES AND ESPOUSAL AND COULD NOT PROMISE TO PROVIDE
AMOCO NO SUPPORT SHOULD A SETTLEMENT INVOLVE INVOLUNTARY
AND UNCOMPENSATED TAKING BY GOE OR ANOTHER GOVERNMENT OF
AMOCO'S RIGHTS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 009710

7. AT SEVERAL POINTS IN CONVERSATION, MONCRIEF AND HOUCK
APPEALED FOR ENDORSEMENT OF COMPANY'S CONTENTION THAT ITS
ACTIVITIES IN SINAI AND GULF OF SUEZ DO NOT CONSTITUTE
AN IMPEDIMENT IN THE PEACE PROCESS. WE DID NOT RESPOND TO
THAT OVERTURE. ALSO, SEVERAL TIMES THEY REQUESTED THAT
DEPARTMENT VIEW MATTER, PARTICULARLY RE GULF OF SUEZ, IN
"POLITICAL" RATHER THAN LEGAL TERMS. WE POINTED OUT DIFFER-
ENCES IN SINAI AND GULF AND RESTATED OUR POLICIES. MR.
HOUCK PLANS TO BE IN JERUSALEM DURING FORTHCOMING MEETINGS
OF POLITICAL COMMITTEE, OBVIOUSLY SEEKING TO PROTECT
COMPANY'S INTERESTS IF AND WHEN THIS SUBJECT IS DISCUSSED.

8. FYI, MONCRIEF IS VERY BULLISH ABOUT PROSPECTS IN BOTH
AREAS UNDER DISCUSSION. IN SOUTH, COMPANY ANTICIPATES
EARLY PRODUCTION OF 60,000 BPD (TO BE PUMPED DIRECTLY
INTO TANKER ALREADY UNDER CONTRACT, THENCE TO PIPELINE
TERMINAL AT EILAT). IF ALL GOES AS PLANNED, COMPANY
WILL AMORTIZE ITS TOTAL INVESTMENT BY END OF 1978. MON-
CRIEF STATED THAT GOE GOAL OF 1 MILLION BPD PRODUCTION BY
1980 IS "ENTIRELY REALISTIC". IN SUPPORT OF THIS JUDGMENT,
MONCRIEF STATED THAT POTENTIAL OF ALMA STRIKE IS EQUAL
TO THAT OF RAMADAN FIELD (I.E. CIRCA 350,000 BPD.)

9. MONCRIEF AND HOUCK MET WITH AMBASSADOR GHORBAL AFTERNOON
OF JANUARY 11. GHORBAL LATER CALLED VELIOTES AND STATED
THAT HE HAD ENCOURAGED TEAM TO VISIT EGYPT. CHRISTOPHER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, OFFSHORE DRILLING, MILITARY OCCUPIED AREAS, GULFS, NEGOTIATIONS, PEACE PLANS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jan 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE009710
Document Source: CORE
Document Unique ID: 00
Drafter: DEZWEIFEL:SEB
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780019-1032
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780167/aaaacerb.tel
Line Count: 162
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 332efce3-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 78 TEL AVIV 171
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 31 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3780399
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM EXPLORATION/EXPLOITATION IN SINAI AND GULF OF SUEZ
TAGS: ENRG, US, IS, EG
To: CAIRO TEL AVIV
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/332efce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014